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NORTHWEST AIRLINES

Presentation to State of Minnesota

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December 1991

Wings Holdings Inc.

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Overview

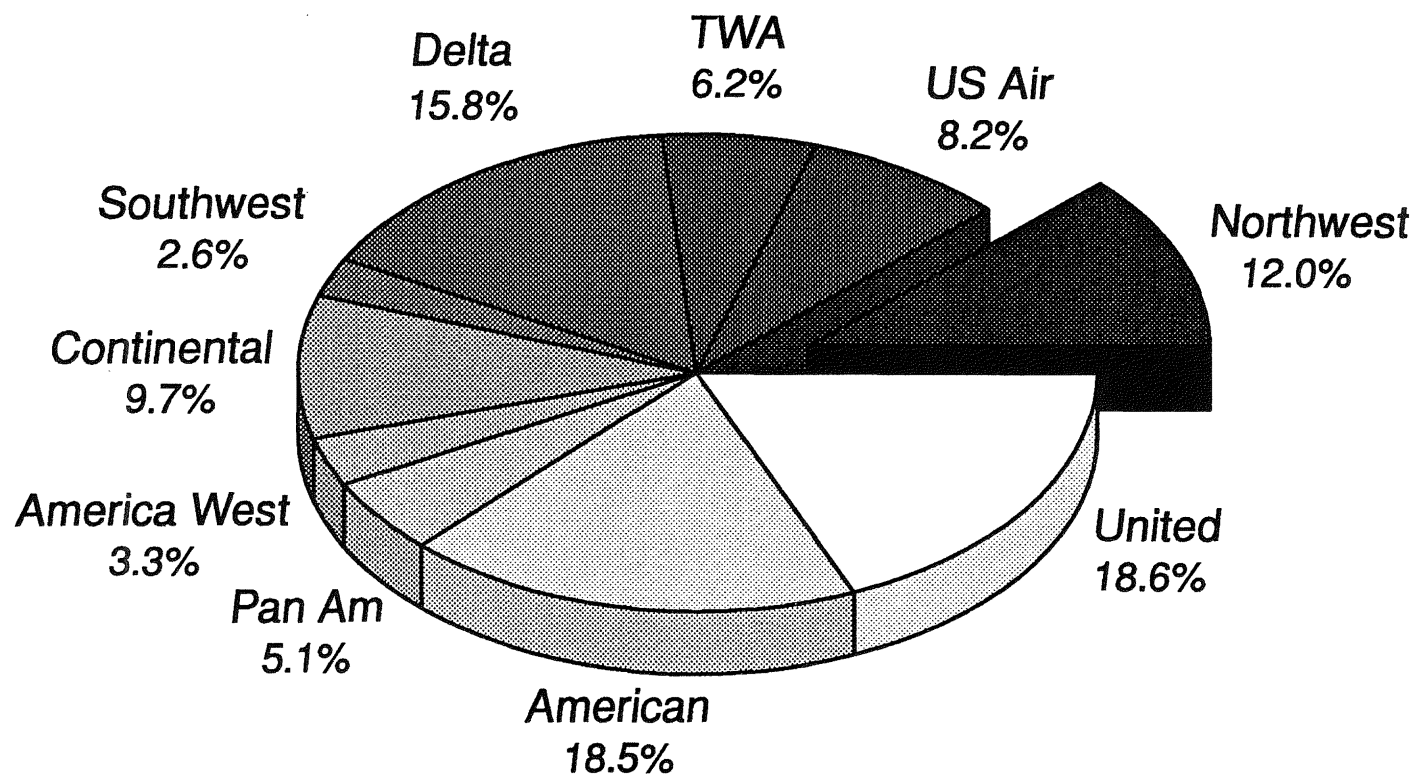
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Overview

- Northwest Airlines is the fourth largest scheduled air carrier in the world
- Northwest Airlines' route system extends to more than 130 cities worldwide
- In 1991, Northwest's total revenues will exceed \$7 billion

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Market Share for First Half of 1991 *



* Based on revenue passenger miles of the major U.S. airlines
Source: Aviation Daily

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Management

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Northwest has assembled a top flight management team

- The August 1989 acquisition of NWA Inc. by an investor group led by Al Checchi for \$3.65 billion took the airline private
- Checchi, along with fellow Co-Chairman Gary Wilson and Vice-Chairman Fred Malek, participates directly in the company's strategic planning process. John Dasburg, President, directs the day-to-day operations of the airline
- The airline's major shareholders — The Checchi Group, KLM Royal Dutch Airlines, Bankers Trust, and Blum & Associates — play an active role in determining the direction of the company
- The senior management team consists of a mix of experienced airline executives in the operating areas and acknowledged experts in their respective fields for the non-operating areas (i.e. finance, strategic planning, product development, etc.)
- A thirteen member Executive Management Team, comprised of senior officers in each of the airline's departments, serves as the operating and policy-making body

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Mission

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Mission

To build together the world's most preferred airline with the best people; each committed to exceeding our customers' expectations every day.

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Strategy

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Strategy: Improve Presence and Preference

- Northwest is a \$3 billion Pacific passenger and cargo carrier with an established U.S. domestic presence making it the world's fourth largest carrier with over \$7 billion in total revenues
- Northwest serves over 70% of the traffic out of its major hubs in Detroit and Minneapolis/St. Paul
- Domestic presence is increasing through selected code sharing relationships, and the acquisition of gates and slots such as those at Washington National. The company continues to investigate potentially attractive expansion opportunities
- Northwest has firm international ties with KLM
- International presence is increasing with recent expansion into Sydney, Fukuoka, Nagoya, Guam and Saipan

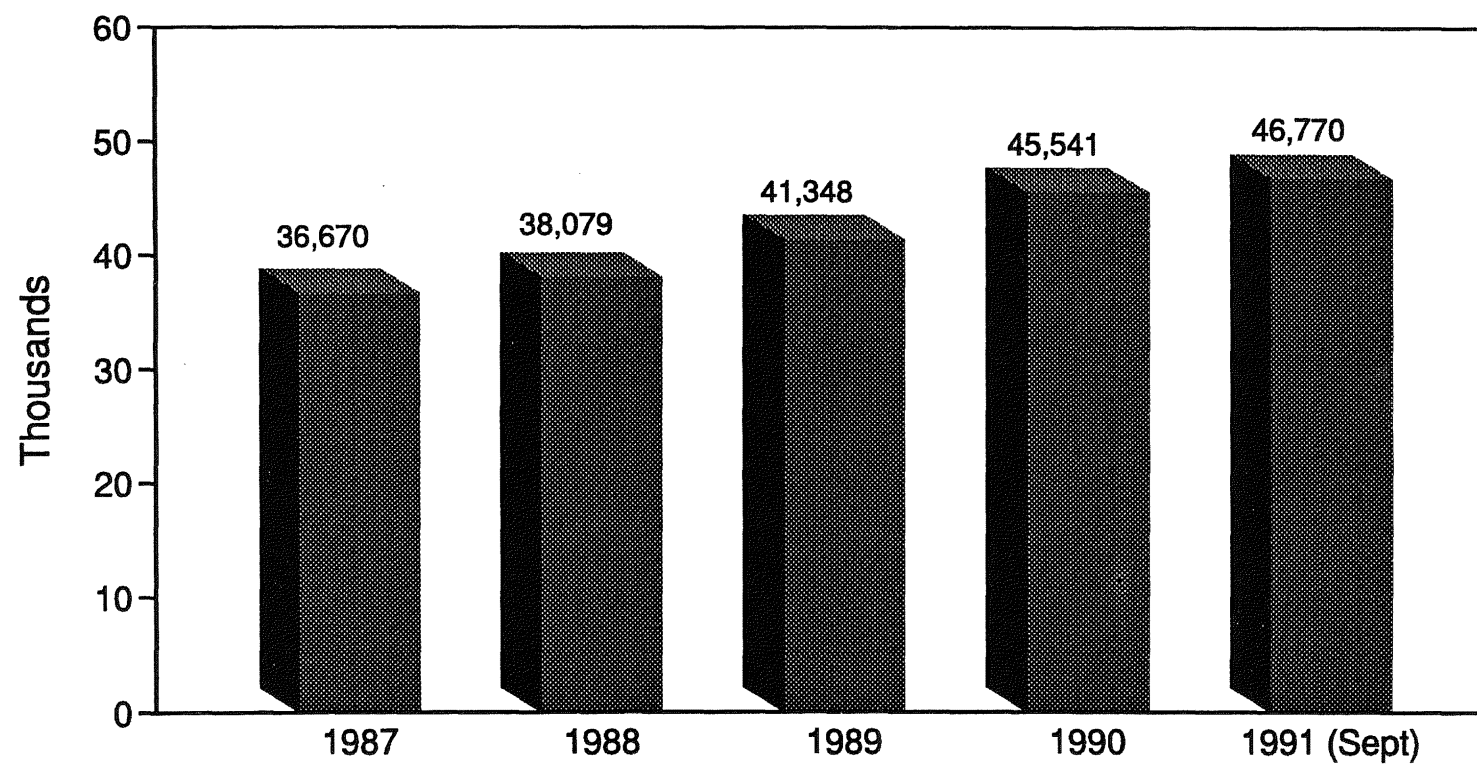
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Customer Preference Program

- New interiors will be installed in all Northwest aircraft
- All 747s are being converted to 7 abreast Executive Class seating
- State-of-the-art individual video management systems will be installed beginning in 1992
- Employees have actively participated in the design of new uniforms
- Training has been increased for all customer contact employees
- New programs such as FASTRAK have been initiated for frequent business traveler
- Investment of over \$420 million between 1990 - 1994

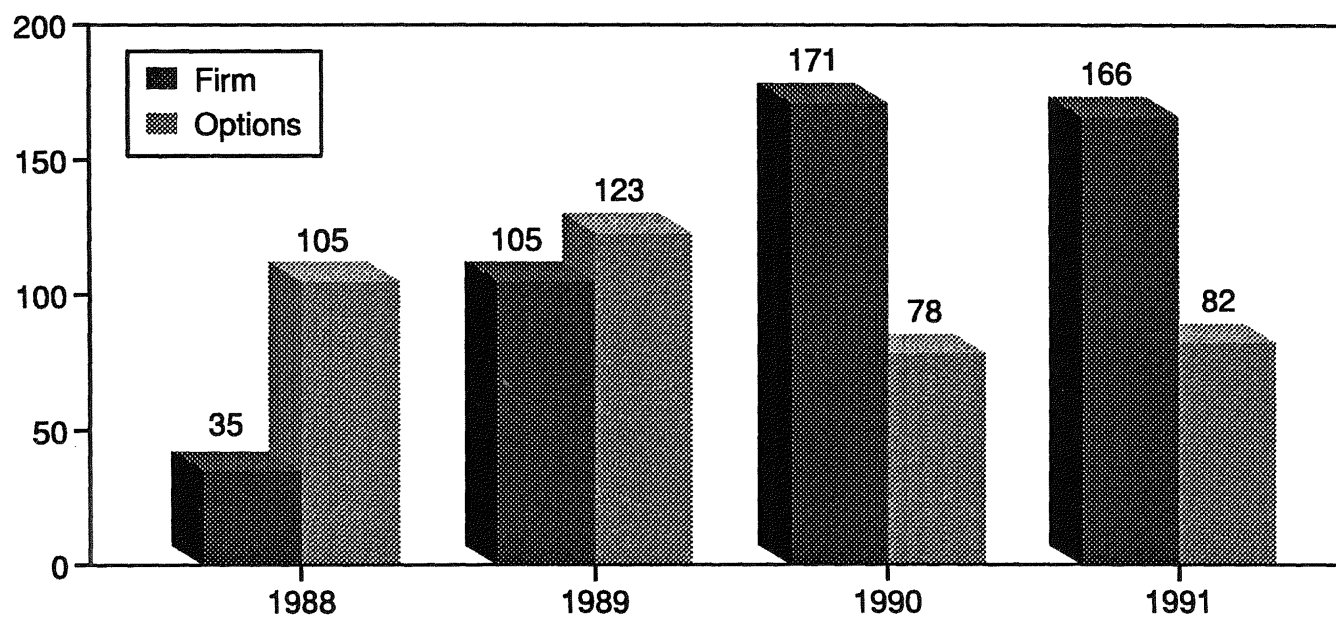
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Total Employees



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Firm & Option Aircraft Orders



Year	Firm	Option	Total
1988	35	105	140
1989	105	123	228
1990	171	78	249
1991*	166	82	248

* Represents an \$18 billion investment in future aircraft

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Upcoming New Aircraft Deliveries

	<u>A320</u>	<u>757</u>	<u>747-400</u>	<u>A330/340</u>	<u>Total</u>
1992	20	0	0	0	20
1993	20	3	2	8	33
1994	20	9	2	17	48
1995	20	17	2	5	44
1996	5	11	2	8	26

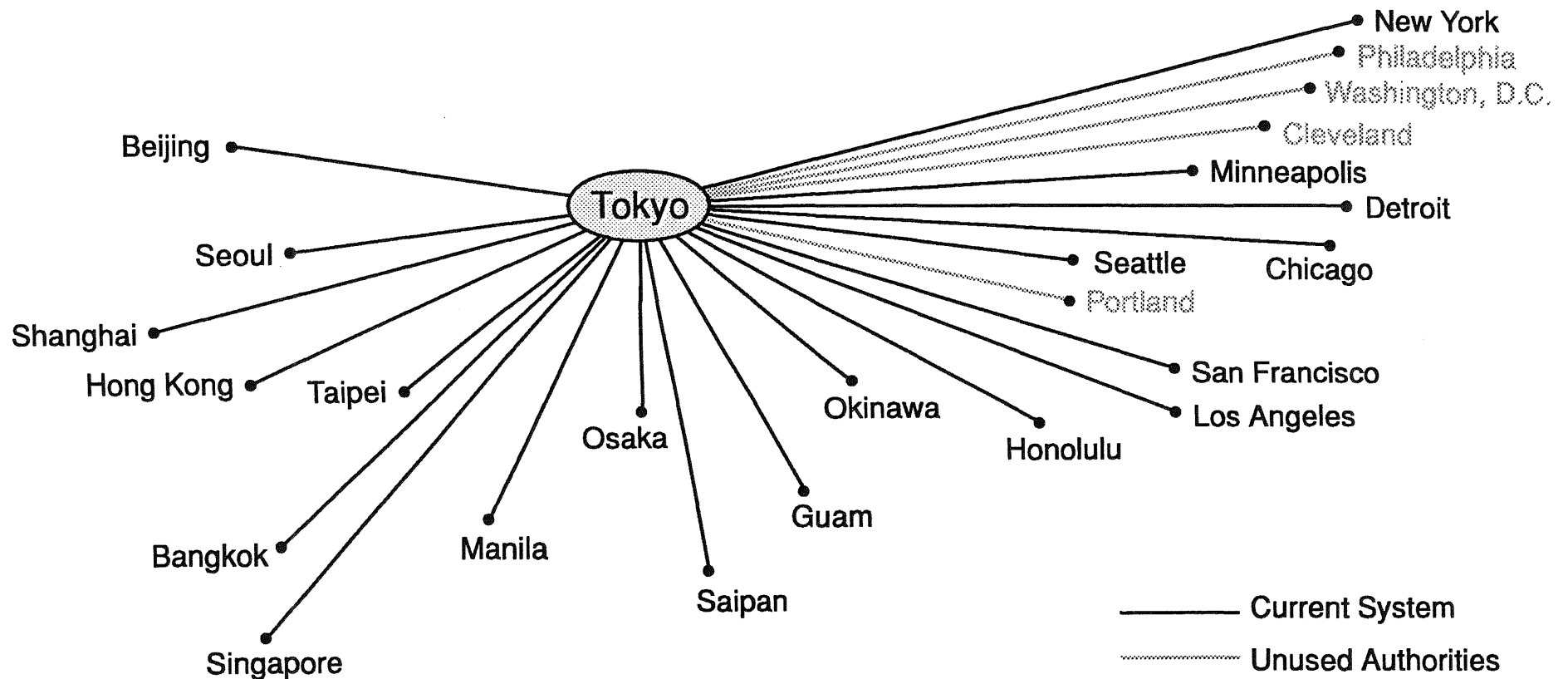
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Northwest's Fleet Acquisition Program Provides for Renewal and Growth

	# of Ships		
	1990	1995	1999
747	50	56	60
A330/340	-	30	40
DC10	20	28	28
757	33	62	95
A320	11	100	120
727	71	37	37
New "110 Seat" Aircraft	-	-	56
DC9	147	113	73
	<u>332</u>	<u>426</u>	<u>509</u>

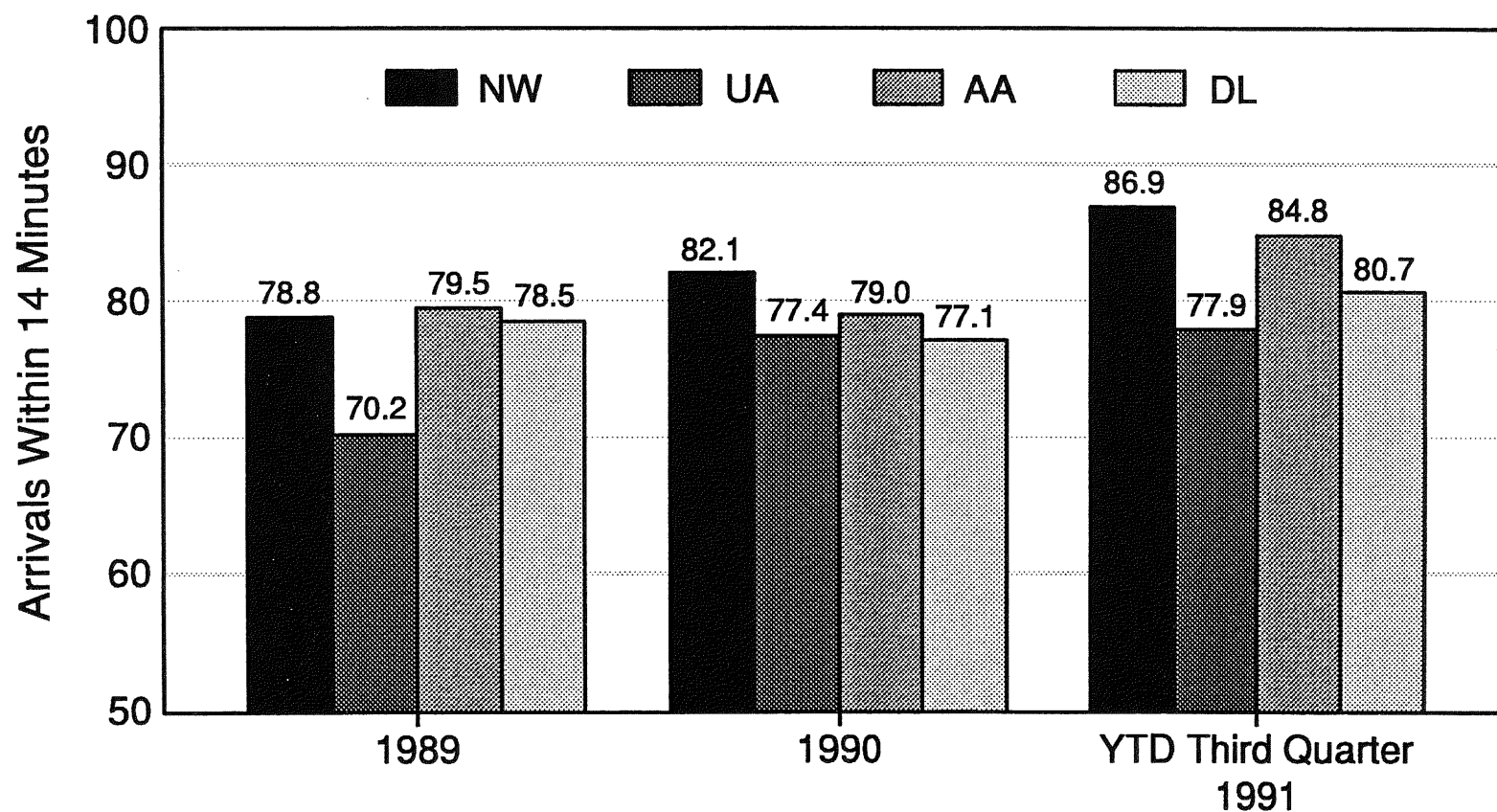
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Northwest's Tokyo Hub



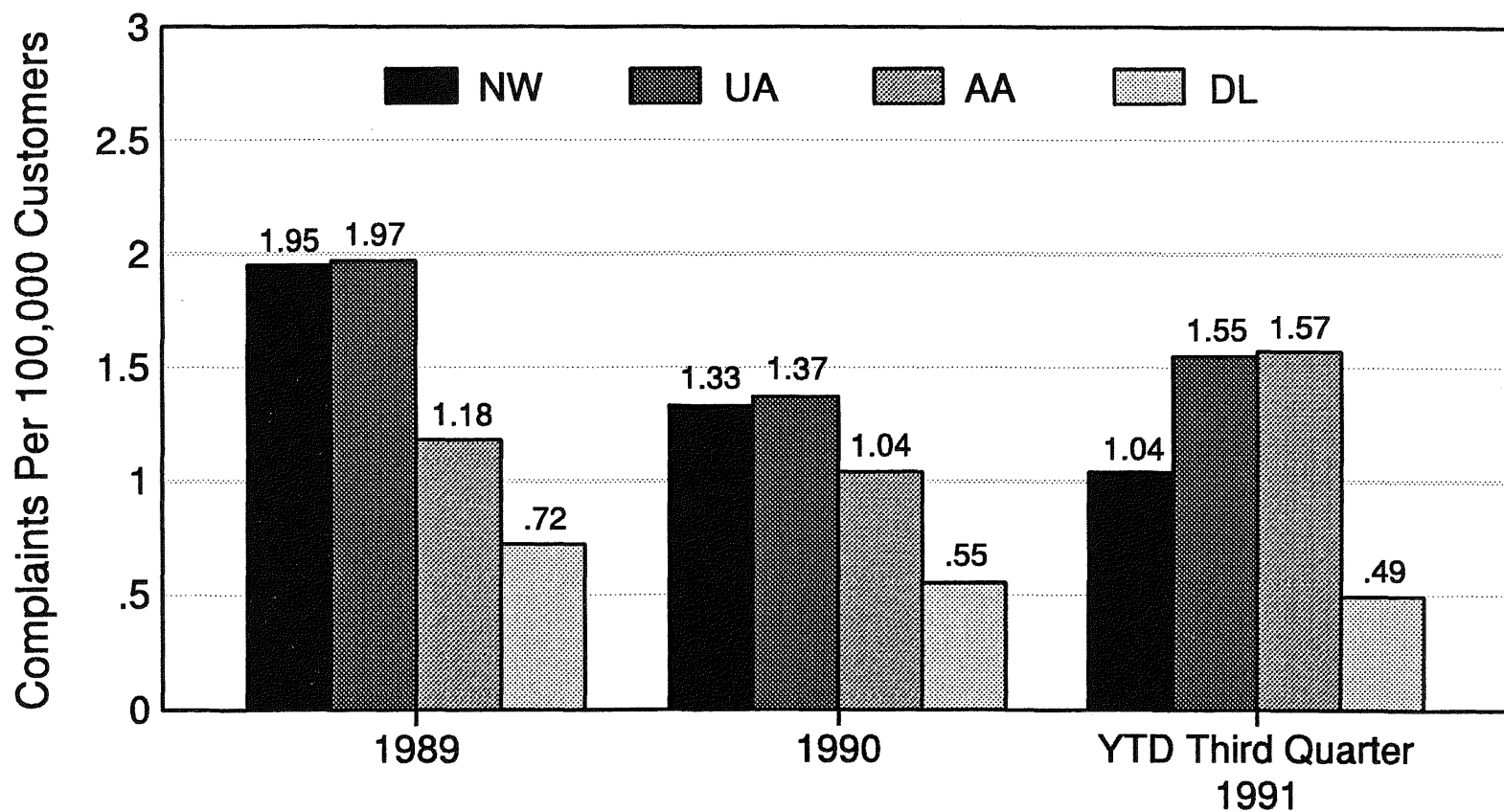
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Northwest has Ranked #1 for On-Time Performance Over the Last 20 Months



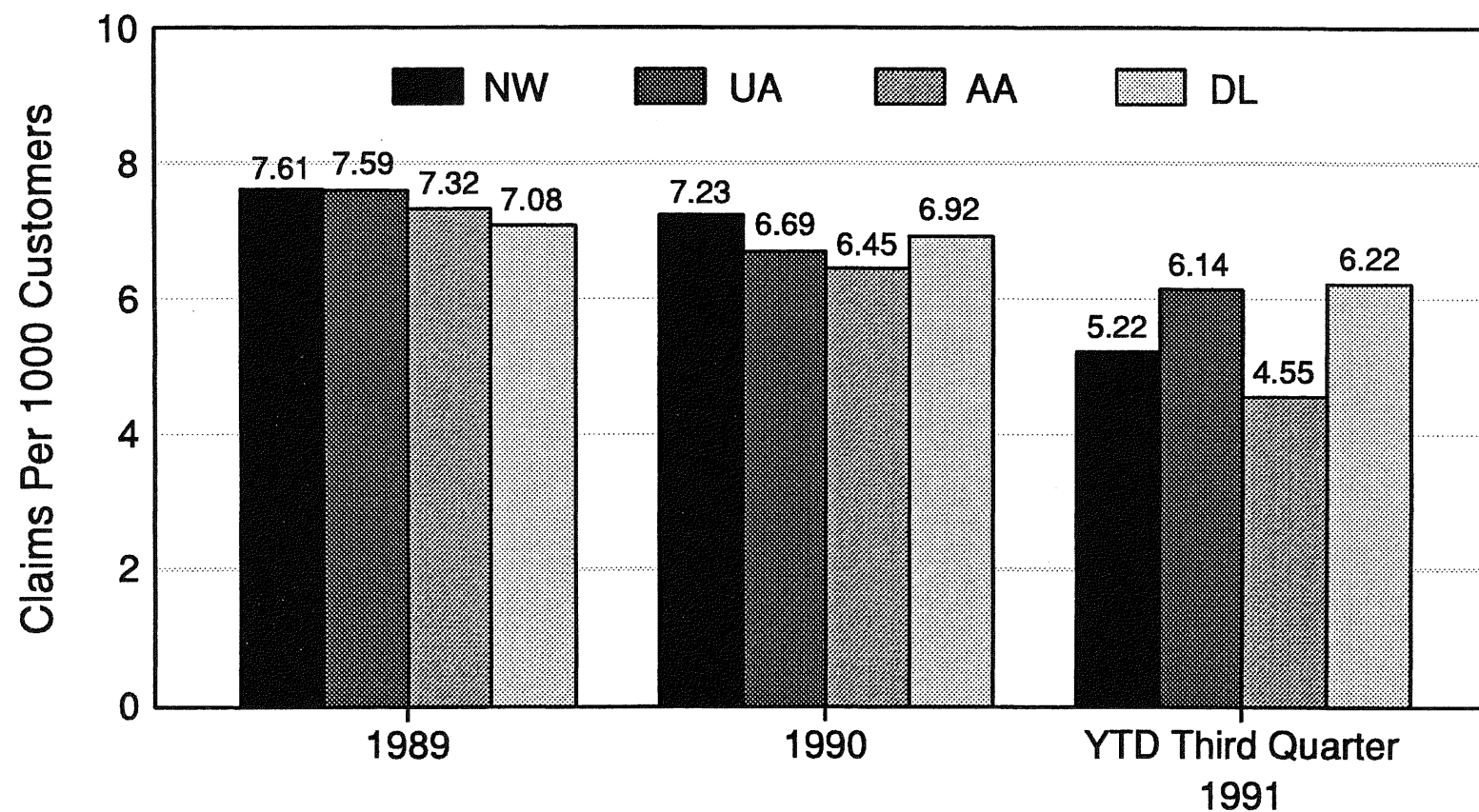
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Customer Satisfaction Improves Due to New Corporate Initiatives



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Baggage Handling Complaints Have Been Significantly Reduced



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Performance:

- **Industry**
- Northwest Financial
- Northwest Operating

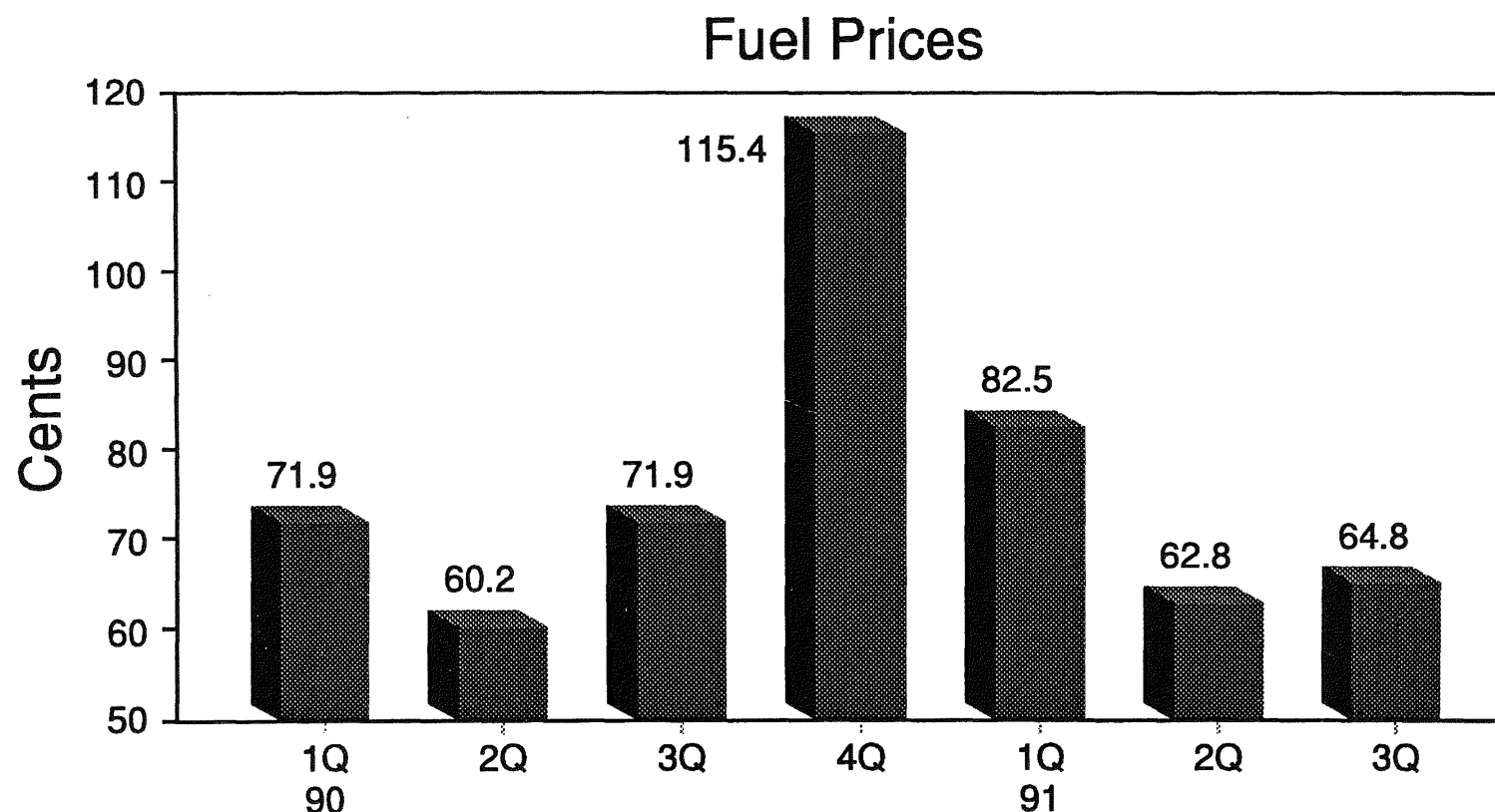
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1990-1991 were Unprecedented Years in the Airline Industry Due to:

- Worldwide recession
- Persian Gulf Crisis
- Fuel Shock
- Continued existence of bankrupt carriers depressing yields
- Industry losses for 1990-1992E will total \$4.5 billion

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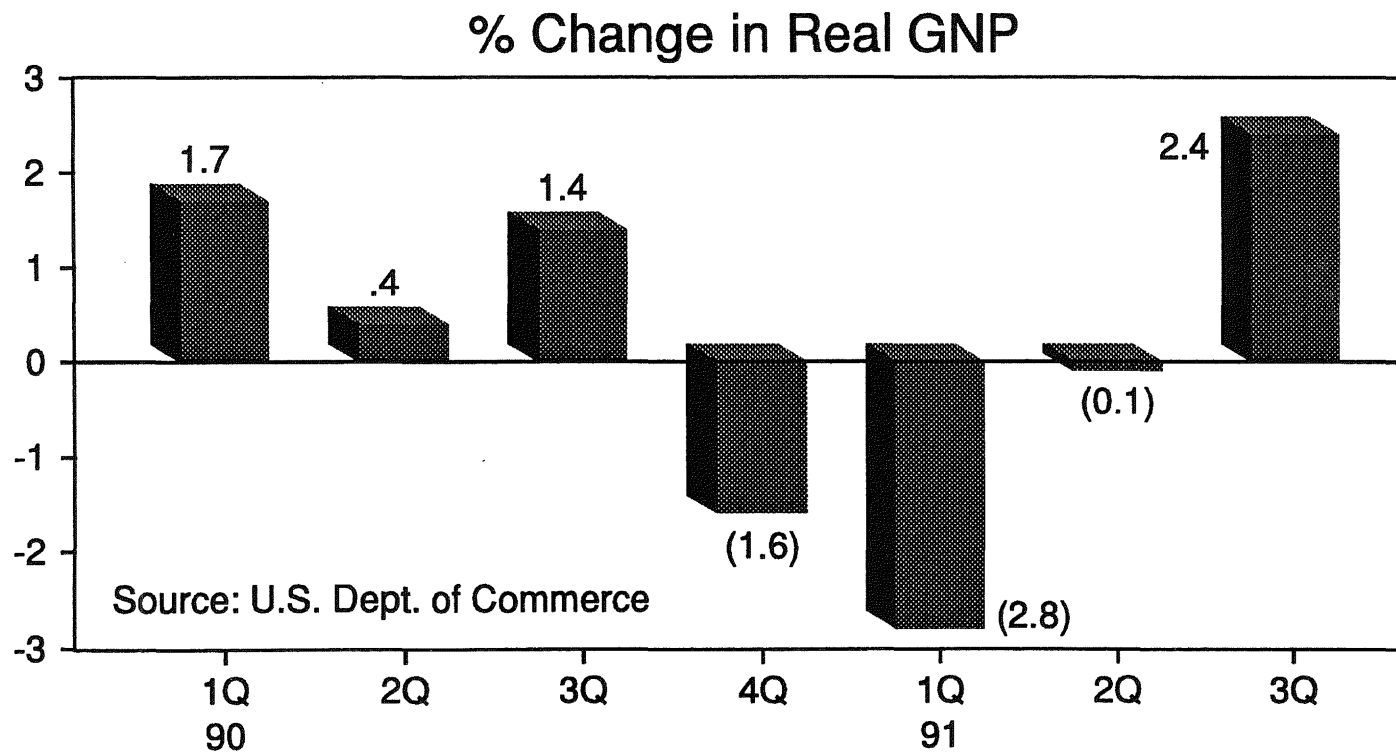
During the Fourth Quarter 1990 and the First Quarter 1991, the Persian Gulf Crisis Dramatically Affected the Airline Industry's Performance



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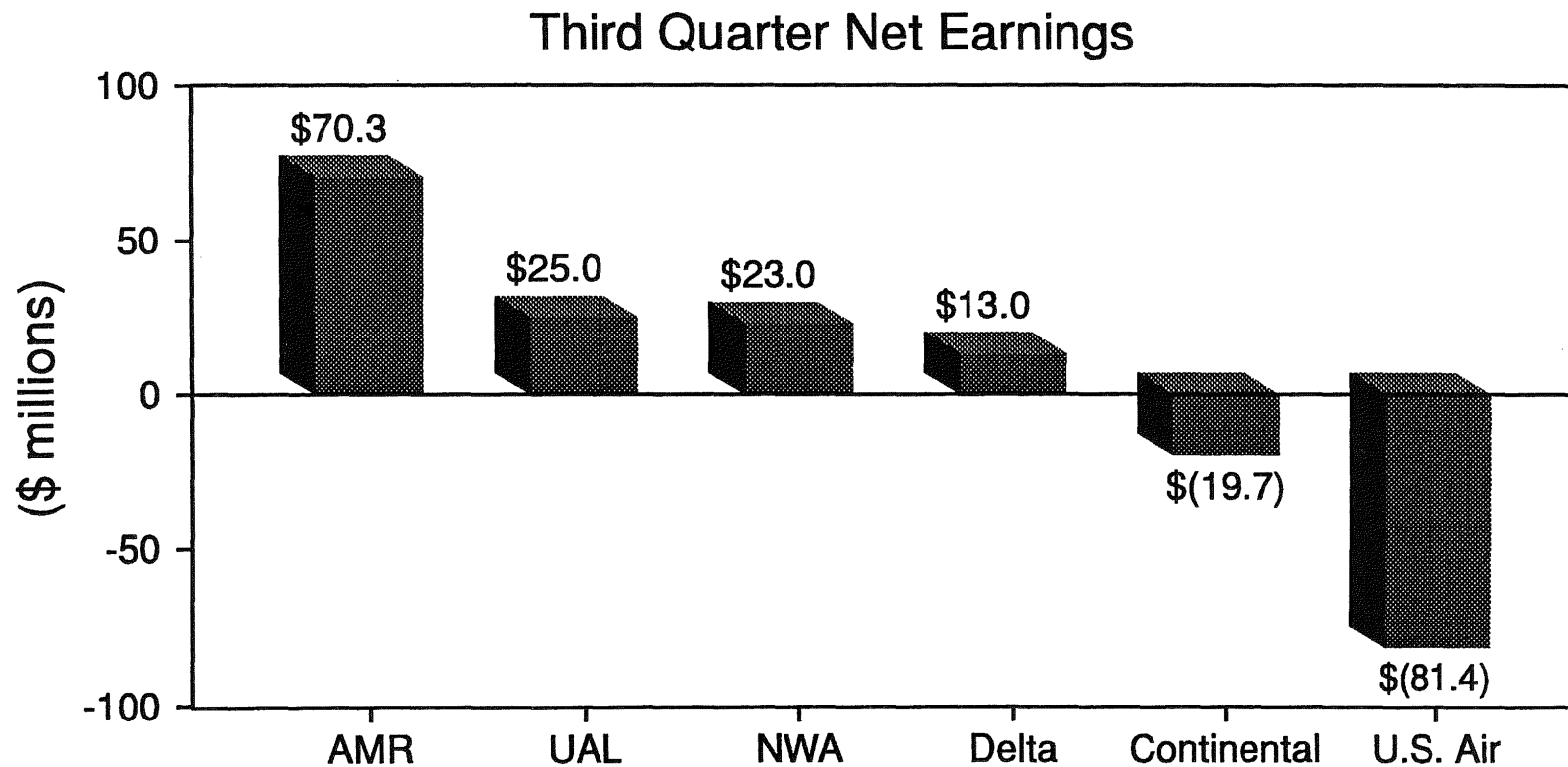
U.S. Economy

General Economic Environment has had a Negative Impact on the Airline Industry



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Despite a Slower Than Expected Economic Recovery, the Airline Industry Experienced Profitability During the Third Quarter



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Performance:

- Industry
- **Northwest Financial**
- Northwest Operating

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Results Have Improved Despite Difficult Operating Environment

- Northwest's year-to-date revenue of \$5.8 billion through September 1991 represents a 4% increase relative to 1990
- Despite a difficult environment, Northwest continues to have a large positive cash flow from operations
- Income contribution for third quarter 1991 was 10.82% higher than the same period in 1990
- Northwest's operating margin continues to improve relative to the industry

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Performance — Third Quarter Results

	Third Quarter 1991 (millions)	Third Quarter 1990 (millions)	Change
Operating Revenues	\$ 2,188.7	\$ 2,045.0	7.03 %
Manageable Expenses	1,892.7	1,777.9	6.46 %
Income Contribution	<u>\$ 296.0</u>	<u>\$ 267.1</u>	<u>10.82 %</u>
Contribution Margin	13.5%	13.1%	3.54 %
RPM's (mil)	15,585	14,652	6.37 %
ASM's (mil)	21,895	20,352	7.58 %
Load Factor (%)	71.2	72.0	(1.11)%
Passenger Yield (cts)	12.14	12.08	0.50 %
Passenger Revenue per ASM (cts)	8.64	8.70	(0.69)%
Cost per adjusted ASM's (cts)	8.57	8.76	(2.17)%

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Performance — Nine Months Ended Results

	YTD 1991 (millions)	YTD 1990 (millions)	Change
Operating Revenues	\$ 5,798.4	\$ 5,560.9	4.27 %
Manageable Expenses	5,314.5	5,022.9	5.81 %
Income Contribution	<u>\$ 483.9</u>	<u>\$ 538.0</u>	<u>(10.06)%</u>
Contribution Margin	8.3%	9.7%	(14.43)%
RPM's (mil)	39,759	39,293	1.19 %
ASM's (mil)	60,159	58,085	3.57 %
Load Factor (%)	66.1	67.6	(2.22)%
Passenger Yield (cts)	12.28	12.16	.99 %
Passenger Revenue per ASM (cts)	8.12	8.22	(1.22)%
Cost per adjusted ASM's (cts)	8.67	8.67	0.00 %

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Balance Sheet Remains Strong

- As of September 30, 1991, the full \$600 million revolving credit facility remained available

	12/31/90 (\$ Million)	9/30/91 (\$ Million)
Assets		
Cash	\$ 200	\$ 58
Other Current Assets	1,011	1,169
Property	4,766	5,043
Other	1,687	1,838
	<u>\$ 7,664</u>	<u>\$ 8,108</u>
Liabilities & Equity		
Current Liabilities	\$ 1,793	\$ 2,163
Acquisition Debt	1,427	1,425
Airbus/CFM Financing	500	500
Capital Leases	1,000	972
Deferred Taxes	1,241	1,156
Land Mortgages	432	468
Manufacturer Credits	174	203
Deferred Gain on Sale Leasebacks	134	124
Other Liabilities	630	952
Equity	333	145
	<u>\$ 7,664</u>	<u>\$ 8,108</u>

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Despite Industry-Wide Difficulties, Northwest's Performance Continues to Improve Relative to its Competitors

Industry Rank for Operating Margin*

Rank	1987	1988	1989	1990	YTD Third Quarter 1991
1	US	WN	WN	WN	WN
2	ML	AA	DL	AS	AS
3	DL	AS	AA	AA	AA
4	AS	UA	AS	UA	NW
5	AA	DL	HP	NW	DL
6	TW	TW	UA	HP	UA
7	WN	US	NW	DL	CO
8	NW	NW	CO	CO	US
9	UA	ML	TW	TW	HP
10	CO	HP	ML	PA	TW
11	PA	CO	US	US	PA
12	HP	PA	PA	ML	**

*Included are the twelve largest U.S. carriers based on first half 1991 revenue passenger miles

** Midway filed Chapter 7 in November

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Performance:

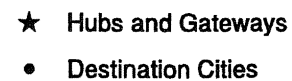
- Industry
- Northwest Financial
- **Northwest Operating**

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The Northwest/KLM Alliance Provides Both Airlines with the Global Presence Required in Today's Marketplace

- As a result of the August 1989 acquisition, KLM holds a significant and strategic ownership stake in Northwest Airlines
- Cooperation amongst various departments of the two airlines provides a valuable knowledge base from which both carriers will benefit
- In April, 1991, joint service was inaugurated between Amsterdam and Minneapolis; this was the initial signal of an expanding cooperation in European markets

Global Presence



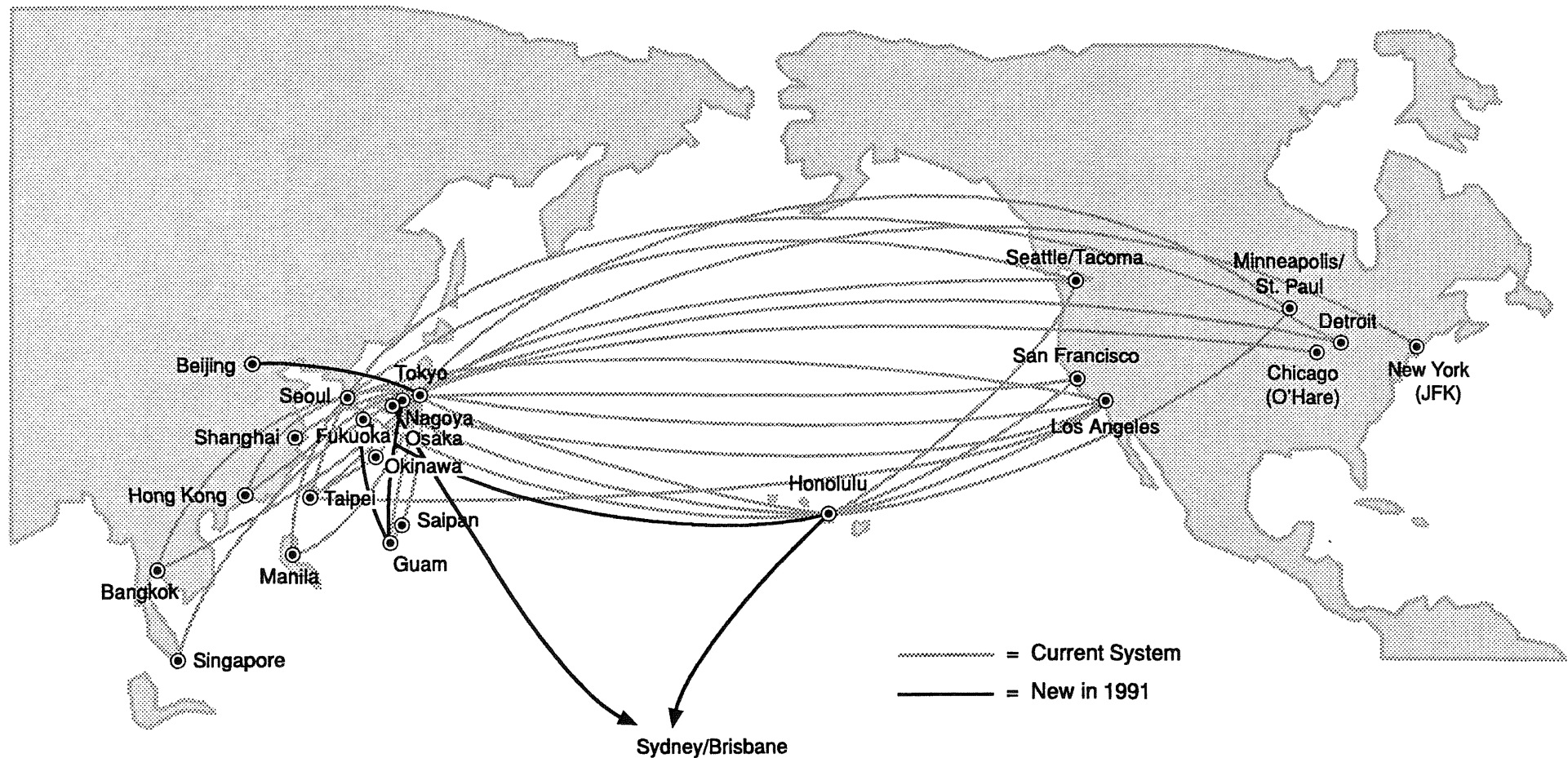
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Pacific Route System

- Northwest has established presence in the Pacific through its forty-four years of service
- Tokyo is Northwest's largest hub when measured by revenue
- Northwest's valuable "fifth-freedom" rights allow it to pick up new passengers in Tokyo and fly them to non-U.S. destinations
- The three certificates Northwest holds cover the extensive current route system as well as providing opportunities for future expansion into other markets (eg.: MSP-Tokyo, LA-Osaka, Detroit-Seoul, Seattle-Hong Kong)
- Northwest obtained government approval to operate between the U.S. and Sydney in early 1991, which expands the airline's presence to include both the North and South Pacific

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Pacific Route System



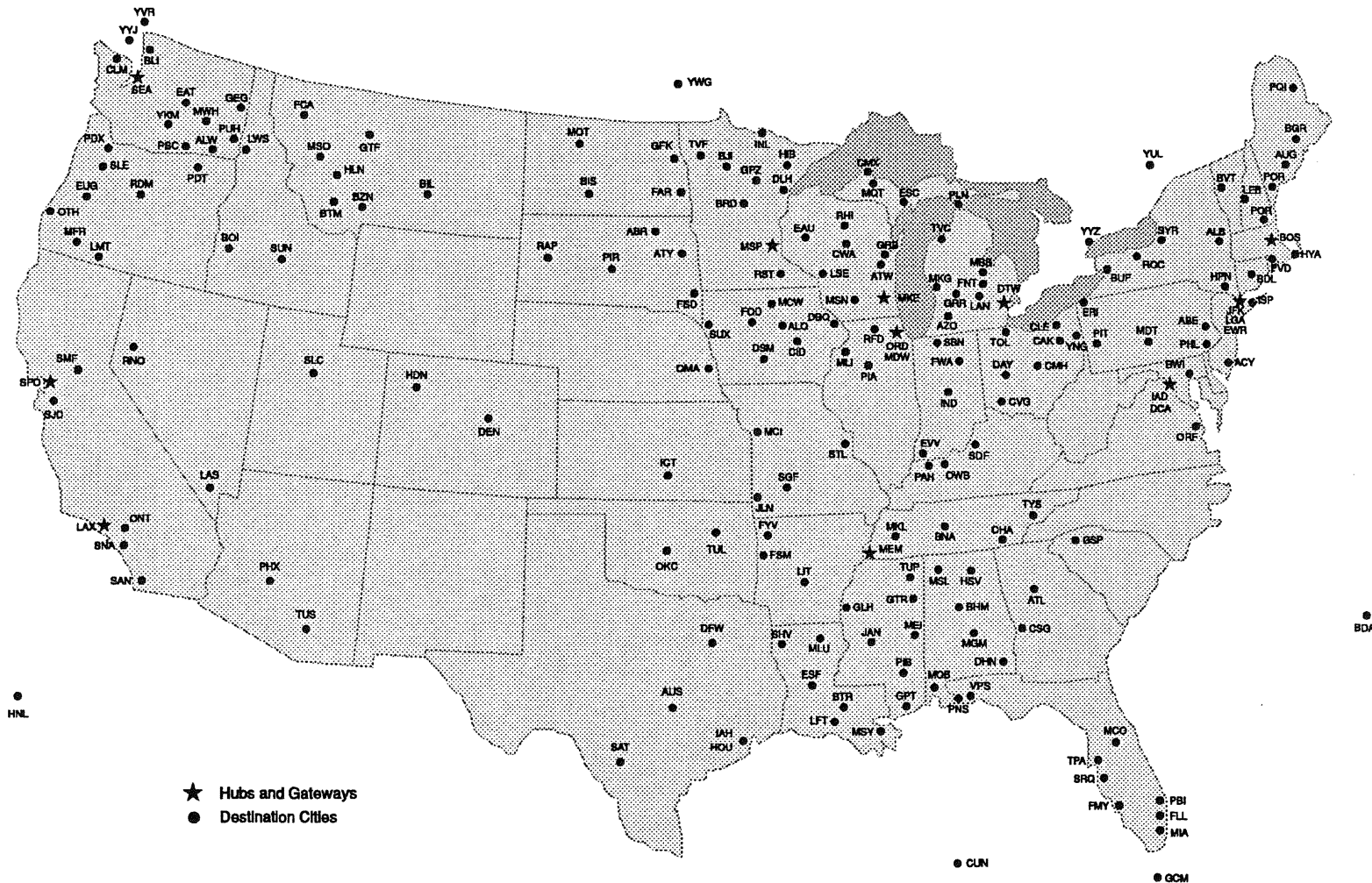
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Domestic Route System

- Northwest enjoys at least 70% share in its domestic hubs: Minneapolis/St. Paul, Detroit, and Memphis
- Northwest's hubs are well-positioned to feed into its international gateways: New York, Boston, Chicago, Seattle, San Francisco, and Los Angeles
- The recent expansion into Washington National airport greatly increases Northwest's presence in the high-yield, East Coast market

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North American System



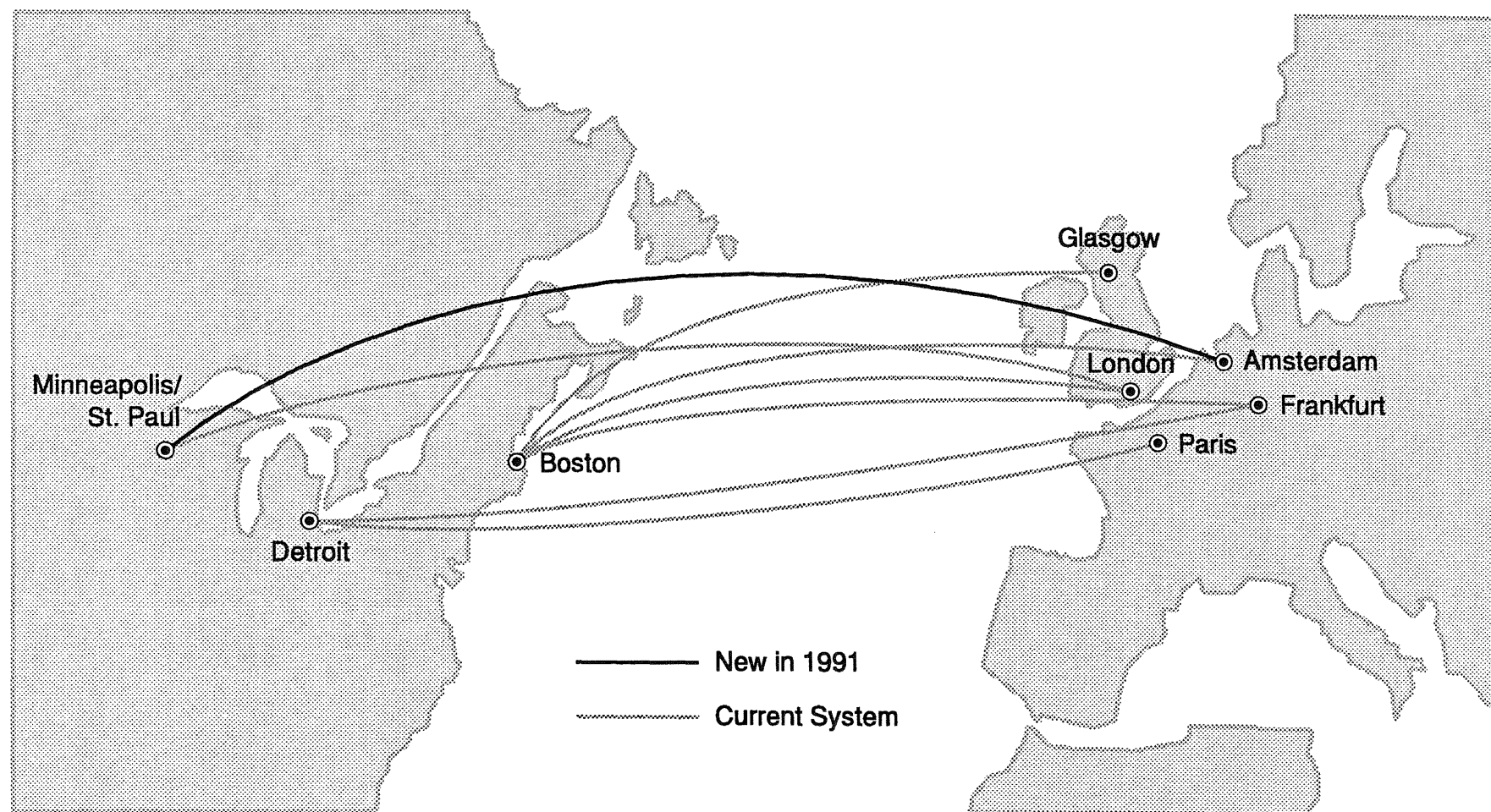
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Atlantic Route System

- Northwest has focused on non-essential, non-cyclical European business markets
- In April 1991 Northwest and KLM commenced non-stop service between Minneapolis/St. Paul and Amsterdam, a visible sign of an expanding relationship

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TransAtlantic Route System



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Financial Strengths

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Financial Strengths

- Adjusting asset levels to current market values uncovers in excess of \$3.5 billion in additional equity value. The major sources of this value are aircraft parts and supplies, flight equipment, aircraft delivery positions, and international route authorities
- As of September 30, Northwest had \$58 million in cash and an untapped revolving credit facility of \$600 million. These resources provide the liquidity necessary to allow the airline to take full advantage of the acquisition opportunities currently available in the marketplace
- Commitments by aircraft manufacturers to assist in the financing of future aircraft deliveries provide Northwest with access to funds at attractive rates
- The operations of the airline generate significant levels of cash. Many of the items which depress the net earnings levels of the company are non-cash expenditures (e.g. depreciation and amortization)
- No significant debt repayment until September 1992 and no significant cash predelivery deposits until December 1992

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Cash flows from operations continue to be positive

	Year-ended 1990 (\$ millions)	Nine months ended 9/30/91 (\$ millions)
Net Income (Loss)	\$ (303)	\$ (155)
Depreciation	373	276
Cash Flow	<u>\$ 70</u>	<u>\$ 121</u>

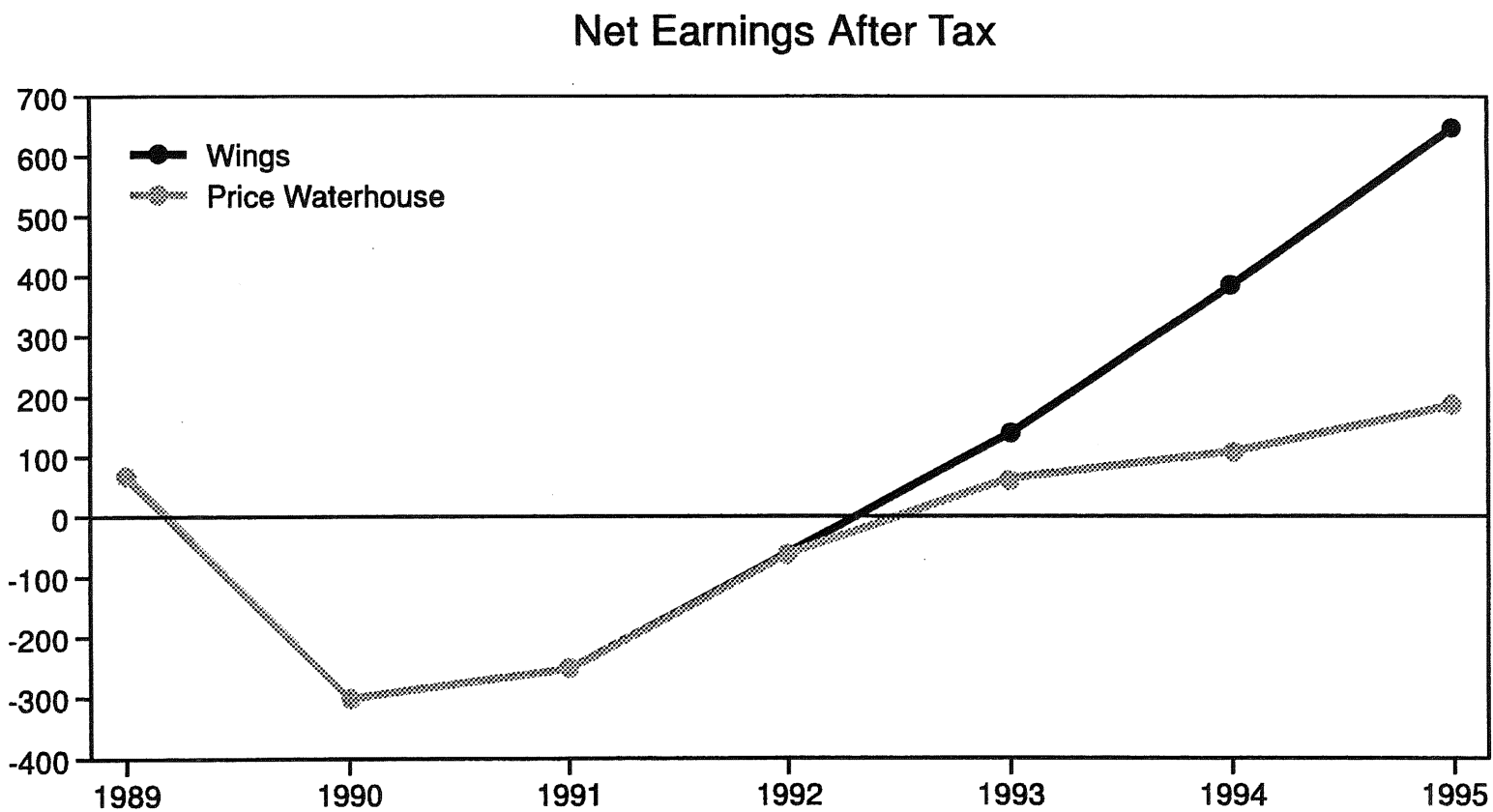
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Financing Highlights

- Monetization of Japanese real estate provided 55 billion yen (\$379 million) of financing; this transaction requires no debt service until maturity in the year 2000, at which time all principal and interest obligations can be satisfied at Northwest's option by putting the real estate to the lessor
- All 1991 A320 deliveries have been fully debt and equity financed at their fair market value of \$38 million
- Through the early repayment and refinancing of the acquisition loan, Northwest has effectively been able to extend the maturity and lower the cost of its long-term debt

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Sensitivity Analysis





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